
State:	District of Columbia	Filing Company:	Euler Hermes North America Insurance Company
TOI/Sub-TOI:	28.1 Credit-Credit Default/28.1000 Credit-Credit Default		
Product Name:	Simplicity Product		
Project Name/Number:	/		

Filing at a Glance

Company:	Euler Hermes North America Insurance Company
Product Name:	Simplicity Product
State:	District of Columbia
TOI:	28.1 Credit-Credit Default
Sub-TOI:	28.1000 Credit-Credit Default
Filing Type:	Credit
Date Submitted:	09/03/2015
SERFF Tr Num:	CLTR-130231831
SERFF Status:	Submitted to State
State Tr Num:	
State Status:	
Co Tr Num:	GTC-002-USA-F-EN RATE
Effective Date	On Approval
Requested (New):	
Effective Date	
Requested (Renewal):	
Author(s):	Susan Coulter, Frank Cripps, Wendy Hicks, Dana Suter, Erica Ruggley, John Guarini
Reviewer(s):	
Disposition Date:	
Disposition Status:	
Effective Date (New):	
Effective Date (Renewal):	

State: District of Columbia **Filing Company:** Euler Hermes North America Insurance Company
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General Information

Project Name: Status of Filing in Domicile: Pending
Project Number: Domicile Status Comments:
Reference Organization: Reference Number:
Reference Title: Advisory Org. Circular:
Filing Status Changed: 09/03/2015
State Status Changed: Deemer Date:
Created By: Dana Suter Submitted By: Dana Suter
Corresponding Filing Tracking Number: CLTR-130124397
forms

Filing Description:

On behalf of Euler Hermes North America Insurance Company, Coulter and Associates, Inc. is filing the attached credit insurance rates for your review and approval.

EH Simplicity is a new kind of credit insurance product, designed specifically for the SME segment which is currently underserved in our marketplace. This policy, aimed at companies new to credit insurance, is designed with clear, simple and transparent coverage and pricing options and is unlike anything offered today by Euler Hermes or our competitors.

The product was launched in Europe in 2013 and based on our positive experience there we have now adapted it for the American market.

For the purposes of this filing we have included rates and coverage options for clients with insured sales of \$100,000 to \$10,000,000 however we will go to market offering only the policy up to the \$5,000,000 level and then based on our experience will consider at a later date whether or not to extend the offering to \$10,000,000.

We plan to launch EH Simplicity insuring our clients' sales to the 33 covered countries listed in section 2 of the Application and Special Terms however we will at our discretion revise and update the countries covered as the business and credit risks in those markets develop.

Please do not hesitate to contact Coulter and Associates with questions or requests for additional information. They can be reached at dana@coulter-and-associates.com or 1-609-443-1811.

Company and Contact

Filing Contact Information

Dana Suter, consultant dana@coulter-and-associates.com
379 Princeton-Hightstown Road 609-443-7540 [Phone]
Suite 15
Cranbury, NJ 08512

State: District of Columbia

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Filing Company Information

(This filing was made by a third party - coulterandassociatesinc)

Euler Hermes North America

CoCode: 20516

State of Domicile: Maryland

Insurance Company

Group Code: 761

Company Type:

800 Red Brook Boulevard

Group Name:

State ID Number:

Owings Mills, MD 21117-5155

FEIN Number: 52-0222226

(410) 753-0753 ext. [Phone]

Filing Fees

Fee Required? No

Retaliatory? No

Fee Explanation:

SERFF Tracking #:	CLTR-130231831	State Tracking #:		Company Tracking #:	GTC-002-USA-F-EN RATE
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Rate Information

Rate data applies to filing.

Filing Method:	prior approval
Rate Change Type:	Neutral
Overall Percentage of Last Rate Revision:	0.000%
Effective Date of Last Rate Revision:	
Filing Method of Last Filing:	

Company Rate Information							
Company Name:	Overall % Indicated Change:	Overall % Rate Impact:	Written Premium Change for this Program:	Number of Policy Holders Affected for this Program:	Written Premium for this Program:	Maximum % Change (where req'd):	Minimum % Change (where req'd):
Euler Hermes North America Insurance Company	0.000%	0.000%	\$0	0	\$0	0.000%	0.000%

SERFF Tracking #:	CLTR-130231831	State Tracking #:		Company Tracking #:	GTC-002-USA-F-EN RATE
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Rate/Rule Schedule

Item No.	Schedule Item Status	Exhibit Name	Rule # or Page #	Rate Action	Previous State Filing Number	Attachments
1		Rate Study		New		Simplicity study 12 June 2015 [Read-Only].pdf



EH Simplicity product analysis

EH North America

June 2015



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EULER HERMES

Our knowledge serving your success

Purpose of the new product

Target Market

- EH Simplicity is a new product aimed at smaller sized prospects / policyholders who have sales of 10M or less.
- We will initially launch the product in North America to prospects up to 5M sales, and then will review based on the demand for and the performance of the product after the first year.

Pricing Methodology

- A tiered pricing system was created using the prospect's total sales on credit terms as the basis for their fixed annual premium and levels of coverage. EH Simplicity currently exists within several European markets, the UK version was used as a template for the US design.
- Once a policy is accepted, a client is immediately covered for 60% of any debt up to the maximum claim per customer for goods or services supplied (see the Maximum Claim per Customer (standard) values table).
- Euler Hermes risk analysts assess all companies with a risk grade on a scale of 1 (very low risk) to 10 (insolvent). If greater coverage is needed a client can access the online grading system and if their customer is graded from 1 to 6 we increase cover to 90% of the debt and multiply the maximum claim by 4 times (see the Maximum Claim per Customer (enhanced) values table).
- If a customer is grade 7 then cover stays at 60%.
- We do not recommend trading with companies graded 8, 9 or 10 and no cover is provided for further supplies on these customers once a grade has been requested.
- Alerts are sent automatically if our grading changes so that a policyholder can base trading decisions on the most up to date information.

Pricing

The actuarial team has reviewed and validated the commercial team's pricing proposal using the current policies in force data. Our current product pricing is in accordance with our Rates and Rules last filed in 2009.

This confirmed to us that the rates and premiums shown are relevant to be used for Simplicity since they are consistent with our other policies in force today. As the pricing of our portfolio develops we will adjust accordingly the pricing of Simplicity.

U.S. Pricing Structure

Taking the UK product matrix as our starting point, we have adapted it to our market, considering the pricing and coverages of products today. We compared actual data for policyholders from our portfolio from 2014 to determine applicable premium rates based on where that prospective client's sales would fall on the grid.

North America Simplicity 2015					
Sales band		ML	Std cover	Enhanced	Premium
100,000	600,000	60,000	6,000	24,000	5,425
600,001	1,200,000	90,000	9,000	36,000	7,650
1,200,001	1,800,000	120,000	12,000	48,000	8,850
1,800,001	2,400,000	150,000	15,000	60,000	10,920
2,400,001	3,000,000	180,000	18,000	72,000	12,960
3,000,001	3,600,000	210,000	21,000	84,000	14,520
3,600,001	4,200,000	240,000	24,000	96,000	15,990
4,200,001	5,000,000	280,000	28,000	112,000	17,480
5,000,001	6,000,000	330,000	33,000	132,000	18,700
6,000,001	7,000,000	360,000	38,000	152,000	20,150
7,000,001	8,000,000	380,000	43,000	172,000	21,750
8,000,001	9,000,000	400,000	49,000	196,000	22,950
9,000,001	10,000,000	450,000	55,000	220,000	23,750

ML = policy annual Maximum Liability

U.S. Pricing Structure (Continued)

Below is an extension of the table above to display the rate implicit in the current portfolio (last column) of the current policyholders eligible for this new product. The EH Simplicity product will have fixed premiums based on the prospects annual sales. This shows there is very little difference between the two columns, indicating that the pricing structure underlying this product is consistent with our current product portfolio.

Sales band		ML	Std cover	Enhanced	Premium
100,000	600,000	60,000	6,000	24,000	5,425
600,001	1,200,000	90,000	9,000	36,000	7,650
1,200,001	1,800,000	120,000	12,000	48,000	8,850
1,800,001	2,400,000	150,000	15,000	60,000	10,920
2,400,001	3,000,000	180,000	18,000	72,000	12,960
3,000,001	3,600,000	210,000	21,000	84,000	14,520
3,600,001	4,200,000	240,000	24,000	96,000	15,990
4,200,001	5,000,000	280,000	28,000	112,000	17,480
5,000,001	6,000,000	330,000	33,000	132,000	18,700
6,000,001	7,000,000	360,000	38,000	152,000	20,150
7,000,001	8,000,000	380,000	43,000	172,000	21,750
8,000,001	9,000,000	400,000	49,000	196,000	22,950
9,000,001	10,000,000	450,000	55,000	220,000	23,750

MLx	Rate	NA ptf Dec '14
11.1	1.55%	1.46%
11.8	0.85%	0.82%
13.6	0.59%	0.58%
13.7	0.52%	0.52%
13.9	0.48%	0.47%
14.5	0.44%	0.42%
15.0	0.41%	0.40%
16.0	0.38%	0.35%
17.6	0.34%	0.32%
17.9	0.31%	0.30%
17.5	0.29%	0.28%
17.4	0.27%	0.26%
18.9	0.25%	0.24%

MLx = policy Maximum Liability as a multiple of premium

NA ptf Dec '14 = applicable average premium rate of the EH North America portfolio December 2014

Expected Loss Ratio

Loss Expectation

- The next step was to analyze the loss experience of this specific subset of the portfolio. We separated the data by the sales band in the proposed grid and analyzed the loss experience by determining loss ratios by band for each of the last three years (2012 – 2014).

	Bands	2012	2013	2014	3 last years
Band 1	[100000 , 600000]	39%	26%	322%	95%
Band 2	[600001 , 1200000]	28%	38%	42%	36%
Band 3	[1200001 , 1800000]	34%	31%	50%	37%
Band 4	[1800001 , 2400000]	32%	35%	65%	43%
Band 5	[2400001 , 3000000]	37%	21%	37%	32%
Band 6	[3000001 , 3600000]	43%	45%	23%	37%
Band 7	[3600001 , 4200000]	27%	45%	33%	35%
Band 8	[4200001 , 5000000]	33%	46%	39%	39%
Band 9	[5000001 , 6000000]	44%	65%	36%	48%
Band 10	[6000001 , 7000000]	17%	20%	68%	35%
Band 11	[7000001 , 8000000]	48%	34%	35%	38%
Band 12	[8000001 , 9000000]	17%	32%	22%	24%
Band 13	[9000001 , 10000000]	28%	52%	37%	39%
Total	Simplicity bands all together	32%	41%	40%	38%

Expenses

Expense Breakdown

- The expenses that need to be covered by the pricing of the product (as well as all other products), and they are shown in the table below. We believe that the three year average will be most likely accepted at most insurance departments and that shows a 42% expense level.
- We also need to load our expected losses with a 1.6% loss adjustment expense (LAE) load to account for these expenses a well.

Expense Category	2010	2011	2012	2013	2014	3Year Average	5 Year Average	Selected
Commission & brokerage	7.4%	7.3%	7.8%	7.7%	8.0%	7.8%	7.6%	7.8%
Other Acquisition	8.4%	9.4%	9.4%	9.3%	8.8%	9.2%	9.1%	9.2%
General Office	22.3%	21.6%	20.2%	20.0%	17.5%	19.2%	20.3%	19.2%
Taxes, Licences & Fees	3.1%	2.6%	2.9%	3.0%	2.8%	2.9%	2.9%	2.9%
Other expenses	<u>4.9%</u>	<u>3.4%</u>	<u>3.3%</u>	<u>2.8%</u>	<u>2.9%</u>	<u>3.0%</u>	<u>3.5%</u>	<u>3.0%</u>
Total	46.1%	44.3%	43.6%	42.8%	40.0%	42.1%	43.4%	42.1%
LAE	1.6%	1.6%	0.5%	1.7%	1.6%	1.3%	1.4%	1.6%

Source: 2010-2014 I.E.E.

Combined Ratio and Profit Expectation

- The information assessed for our loss ratio expectation included only paid claims and not open claims reserved and awaiting review and settlement. For 2012 and 2013 this has only a marginal impact but we must consider further development of the loss ratio for 2014. We did this by applying a loss development factor of 1.5 to 2014, which represents our average expectation of loss ratio development from 12 months to an ultimate basis. This raised the 3 year loss expectation to 44.4%, and including the LAE of 1.6% = 46% expected loss ratio.
- After reviewing all of the above information we see that we have an expected loss ratio of 46% (after developing to an ultimate basis and accounting for LAE), and including an expense ratio of 42%, we reach an 88% combined ratio which would yield a profitable product.

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TOI/Sub-TOI:	28.1 Credit-Credit Default/28.1000 Credit-Credit Default		
Product Name:	Simplicity Product		
Project Name/Number:	/		

Supporting Document Schedules

Bypassed - Item:	Actuarial Certification (P&C)
Bypass Reason:	Not applicable
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	Actuarial Justification
Bypass Reason:	Please see rate/rule schedule for rate information
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	All Rates and Rules
Bypass Reason:	Forms filed separately
Attachment(s):	
Item Status:	
Status Date:	

Satisfied - Item:	Cover Letter All Filings
Comments:	Please see the general information tab for the filing description.
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	District of Columbia and Countrywide Experience for the Last 5 Years (P&C)
Bypass Reason:	Not applicable
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	District of Columbia and Countrywide Loss Ratio Analysis (P&C)
Bypass Reason:	See rate/rule schedule for rate information
Attachment(s):	
Item Status:	
Status Date:	

State:	District of Columbia	Filing Company:	Euler Hermes North America Insurance Company
TOI/Sub-TOI:	28.1 Credit-Credit Default/28.1000 Credit-Credit Default		
Product Name:	Simplicity Product		
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Satisfied - Item:	Fraud Warning
Comments:	Acknowledged-complies
Attachment(s):	
Item Status:	
Status Date:	

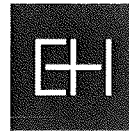
Bypassed - Item:	Manual Page(s)
Bypass Reason:	Please see rate/rule schedule
Attachment(s):	
Item Status:	
Status Date:	

Satisfied - Item:	Property and Casualty
Comments:	Acknowledged
Attachment(s):	
Item Status:	
Status Date:	

Satisfied - Item:	Public Access
Comments:	Acknowledged
Attachment(s):	
Item Status:	
Status Date:	

Bypassed - Item:	Readability Certificate
Bypass Reason:	Not applicable
Attachment(s):	
Item Status:	
Status Date:	

Satisfied - Item:	Third party authorization
Comments:	
Attachment(s):	Signed authorization letter.pdf
Item Status:	
Status Date:	



EULER HERMES

Our knowledge serving your success

February 11, 2015

To: Various Departments of Insurance

Re: Authorization to Represent Euler Hermes North America Insurance Company

Euler Hermes North America Insurance Company

NAIC # 20516

FEIN # 52-0222226

Letter of Authorization

Filing of Forms, Rates or Rules

Dear Sir or Madam:


This letter, or a copy thereof, will authorize the consulting firm of Coulter & Associates of Cranbury, New Jersey, to represent Euler Hermes North America Insurance Company before your Insurance Department solely with respect to matters concerning filing for approval of Euler Hermes North America Insurance Company's Commercial Trade Credit Program.

This authorization will remain in effect until revoked in writing by Euler Hermes North America Insurance Company.

Please direct any correspondence in relation to this filing to Coulter & Associates, 379 Princeton-Hightstown Road, Cranbury, NJ 08512, (609) 443-1811, or by e-mail to dana@coulter-and-associates.com.

The contact person with Euler Hermes North America Insurance Company is Judith Zelkoski, who can be reached by phone at (410) 753-0718 or by e-mail at Judith.Zelkoski@eulerhermes.com.

Sincerely,


Judith Zelkoski
AVP, Director of Government Relations

Euler Hermes North America Insurance Company
800 Red Brook Boulevard
Owings Mills, MD 21117
Tel 410 753 0753
Fax 410 753 0940
Toll Free 877 883 3224
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